

Message Text

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ACTION EUR-25

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-07 H-03 INR-10 L-03

NSAE-00 NSC-10 PA-04 RSC-01 PRS-01 SPC-03 SS-20

USIA-15 SAM-01 AID-20 COME-00 EB-11 FRB-02 TRSE-00

XMB-07 OPIC-12 CIEP-02 LAB-06 SIL-01 OMB-01 ACDA-19

SCI-06 FEA-02 IO-14 SAJ-01 DRC-01 /209 W

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R 011725Z FEB 74

FM AMEMBASSY BONN

TO SECSTATE WASHDC 0037

AMEMBASSY BELGRADE

AMEMBASSY BUCHAREST

AMEMBASSY BUDAPEST

AMEMBASSY LONDON

AMEMBASSY MOSCOW

AMEMBASSY PARIS

AMEMBASSY PRAGUE

AMEMBASSY ROME

AMEMBASSY SOFIA

AMEMBASSY VIENNA

AMEMBASSY WARSAW

USMISSION BERLIN

USMISSION NATO BRUSSELS

AMCONSUL ZAGREB

C O N F I D E N T I A L BONN 01755

E.O. 11652: GDS

TAGS: PFOR, GW, YO, EGEN, EFIN, EAID

SUBJECT: FRG RELATIONS WITH YUGOSLAVIA

REF: BONN 18407, DECEMBER 22, 1973

1. THE YUGOSLAV DESK OFFICER IN THE FRG FONOFF TELLS US
THAT NEGOTIATIONS ON AN ADDITIONAL CREDIT OF 700 MILLION
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DM TO YUGOSLAVIA ARE NOT PROCEEDING WELL. TALKS WITH THE

YUGOSLAVS ARE CONTINUING IN BONN WITH AMBASSADOR LONCAR REPRESENTING THE YUGOSLAV SIDE. FORMALLY SPEAKING, LONCAR'S MAIN INTERLOCUTOR IS THE MINISTRY OF ECONOMIC COOPERATION UNDER ERHARD EPPLER; HOWEVER, LONCAR HAS ALSO BEEN TALKING WITH VARIOUS CHANCELLERY REPS, INCLUDING SPECIAL MINISTER BAHR AND BAHR'S ASSISTANT, SANNE.

2. THE STICKING POINT IS THE YUGOSLAV DESIRE TO OBTAIN THE CREDIT EXCLUSIVELY IN THE FORM OF UNTIED COMMODITY ASSISTANCE. THE FRG MAINTAINS THE POSITION THAT A SIGNIFICANT PART OF IT SHOULD GO FOR PROJECTS, WHICH, AS INDICATED IN PARA 4 REFTTEL, WOULD ENTAIL A CERTAIN AMOUNT OF SUPERVISION FROM THE FRG SIDE. OUR FONOFF CONTACT POINTS OUT THAT THE YUGOSLAVS WOULD STILL HAVE ALMOST COMPLETE FREEDOM IN THE CHOICE OF PROJECTS AND HE THEREFORE DOUBTS THAT THE REQUIREMENTS FOR JOINT APPROVAL IMPOSED BY FRG LEGISLATION ARE A MAJOR NEGATIVE FACTOR IN YUGOSLAV THINKING. HE BELIEVES THAT THE YUGOSLAV POSITION IS MOTIVATED PRIMARILY BY A CONTINUING DETERMINATION TO REPRESENT THE CREDIT IN YUGOSLAVIA AS A KIND OF SUBSTITUTE FOR INDEMNIFICATION PAYMENTS BY THE FRG. (A SOURCE IN THE FRG ECONOMICS MINISTRY HAS, HOWEVER, EXPRESSED THE VIEW THAT CONSIDERATIONS RELATED TO THE KRSKO NUCLEAR POWER PLANT UNDERLIE THE YUGOSLAV POSITION. HE APPEARS TO THINK THAT THE YUGOSLAVS WANT TO USE AN UNTIED CREDIT TO BUY EITHER PLANT OR ENRICHMENT SERVICES.)

3. FONOFF REP STILL THINKS END RESULT OF THE NEGOTIATIONS WILL BE A COMPROMISE MIXTURE OF COMMODITY ASSISTANCE AND PROJECT LOANS. HE EXPECTS, HOWEVER, THAT THE FINAL DECISION ABOUT THE USE THE YUGOSLAVS MAKE OF THE CREDIT AND ABOUT THE WAY THEY REPRESENT IT TO THEIR OWN PEOPLE WILL HAVE TO BE MADE AT THE HIGHEST LEVEL AT THE TIME OF THE TITO VISIT, WHICH IS FORESEEN FOR SOME TIME AROUND THE MIDDLE OF THE YEAR, PROBABLY EARLY JUNE.

4. COMMENT: THE PENCHANT OF EASTERN EUROPEAN NEGOTIATORS FOR REVERTING TO THE SUBJECT OF COMPENSATION/INDEMNIFICATION AFTER THE FRG THOUGHT THIS CONFIDENTIAL

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SUBJECT HAD BEEN SUCCESSFULLY BANISHED FROM THE STAGE (CF. BONN 1576 FOR RECENT FRG EXPERIENCES WITH THE POLES) IS EMBARRASSING TO THE FEDERAL GOVERNMENT AT THE PRESENT TIME, WHEN THE WHOLE QUESTION OF SUBSIDIZED CREDITS TO EE IS GENERATING INCREASING PUBLIC AND POLITICAL CONTROVERSY. FRG NEGOTIATORS WILL UNDOUBTEDLY TRY VERY HARD TO MOVE THE YUGOSLAVS BACK TO ACCEPTANCE OF THE FUNDAMENTAL THESIS WHICH BRANDT PRESENTED TO TITO ON BRIONI IN APRIL

OF LAST YEAR, I.E., THE VIEW THAT FRG ECONOMIC COOPERA-
TION WITH YUGOSLAVIA, AS WITH OTHER EE'S, SHOULD BE
DIRECTED TOWARD THE FUTURE RATHER THAN THE PAST. THE
PROBLEM, AS WE SEE IT, IS THAT THIS THESIS HAS NEVER BEEN
FULLY ACCEPTED BY YUGOSLAVS AT THE WORKING LEVEL, WHICH
IS WHERE THE TERMS OF THE CREDIT ARE BEING
WORKED OUT.
HILLENBRAND

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